

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: 35 <sup>th</sup> District Courthouse Authority	County: Wayne
Audit Date December 31, 2004	Opinion Date April 22, 2005	Date Accountant Report Submitted To State: June 30, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>PLANTE &amp; MORAN, PLLC</b>			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48037-0307
Accountant Signature 			

# **35th District Courthouse Authority**

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**Financial Report  
with Supplemental Information  
December 31, 2004**

# **35th District Courthouse Authority**

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## **Contents**

<b>Report Letter</b>	<b>1-2</b>
<b>Basic Financial Statements</b>	
Governmental Fund Balance Sheets/Statement of Net Assets	3
Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities	4
Notes to Financial Statements	5-11
<b>Required Supplemental Information</b>	<b>12</b>
Budgetary Comparison Statement - General Fund	13

## Independent Auditor's Report

To the Board of Directors  
35th District Courthouse Authority

We have audited the accompanying financial statements of the 35th District Courthouse Authority, including the Authority's individual governmental funds and the statement of net assets and statement of activities as listed in the table of contents. These financial statements are the responsibility of the 35th District Courthouse Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position and changes in financial position of the 35th District Courthouse Authority, including the Authority's individual funds and the Authority as a whole for the year ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule as identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

As described in Note I, the Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of January 1, 2004. As a result, these financial statements present entirely new financial information. Governmental activities report information by individually significant fund, as well as in total on the full accrual basis of accounting.

To the Board of Directors  
35th District Courthouse Authority

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

*Plante & Moran, PLLC*

April 22, 2005

# 35th District Courthouse Authority

## Governmental Fund Balance Sheets/Statement of Net Assets December 31, 2004

	Individual Funds - Modified Accrual Basis				Statement of Net Assets - Full Accrual Basis
	General Fund	Capital Projects	Debt Service	Total	GASB No. 34 Adjustments (Note 2)
<b>Assets</b>					
Cash and cash equivalents (Note 3)	\$ -	\$ 3,148	\$ -	\$ 3,148	\$ -
Due from State of Michigan 35th Judicial District Court	151,254	-	-	151,254	-
Capital assets - Net of depreciation (Note 5)	-	-	-	-	6,673,423
Total assets	<u>\$ 151,254</u>	<u>\$ 3,148</u>	<u>\$ -</u>	<u>\$ 154,402</u>	6,673,423
<b>Liabilities and Fund Balance</b>					
<b>Liabilities</b>					
Due to the State of Michigan 35th Judicial District Court	\$ -	\$ 2,535	\$ -	\$ 2,535	-
Accrued interest payable	-	-	-	-	17,539
Long-term debt (Note 6):					
Due within one year	-	-	-	-	280,836
Due in more than one year	-	-	-	-	3,693,933
Total liabilities	-	2,535	-	2,535	3,992,308
<b>Fund Balance - Unrestricted</b>	151,254	613	-	151,867	(151,867)
Total liabilities and fund balance	<u>\$ 151,254</u>	<u>\$ 3,148</u>	<u>\$ -</u>	<u>\$ 154,402</u>	
<b>Net Assets</b>					
Invested in capital assets - Net of related debt					2,935,616
Unrestricted					(102,634)
Total net assets					<u>\$ 2,832,982</u>

# 35th District Courthouse Authority

## Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended December 31, 2004

	Individual Funds - Modified Accrual Basis				GASB No. 34 Adjustments (Note 2)	Statement of Net Assets - Full Accrual Basis
	General Fund	Capital Projects Fund	Debt Service Fund	Total		
<b>Revenue</b>						
Base rental revenue (Note 8)	\$ 373,969	\$ -	\$ 326,969	\$ 700,938	\$ -	\$ 700,938
Additional rental revenue (Note 8)	81,484	-	-	81,484	-	81,484
Interest income and other	-	23	-	23	12,681	12,704
Total revenue	455,453	23	326,969	782,445	12,681	795,126
<b>Expenditures</b>						
Utilities	106,138	-	-	106,138	-	106,138
Building maintenance	104,450	-	-	104,450	-	104,450
Insurance	37,051	-	-	37,051	-	37,051
Capital outlay	114,291	-	-	114,291	(94,627)	19,664
Depreciation	-	-	-	-	310,447	310,447
Debt service	140,600	-	326,969	467,569	(251,469)	216,100
Total expenditures	502,530	-	326,969	829,499	(35,649)	793,850
<b>Excess of Revenue Over (Under) Expenditures -</b>						
Before other financing sources	(47,077)	23	-	(47,054)	48,330	1,276
<b>Other Financing Sources -</b> Proceeds from issuance of debt	52,077	-	-	52,077	(52,077)	-
<b>Change in Fund Balance/Net Assets</b>	5,000	23	-	5,023	(3,747)	1,276
<b>Fund Balance/Net Assets -</b> Beginning of year	146,254	590	-	146,844	2,684,862	2,831,706
<b>Fund Balance/Net Assets -</b> End of year	<u>\$ 151,254</u>	<u>\$ 613</u>	<u>\$ -</u>	<u>\$ 151,867</u>	<u>\$ 2,681,115</u>	<u>\$ 2,832,982</u>

# 35th District Courthouse Authority

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**Notes to Financial Statements  
December 31, 2004**

## **Note I - Summary of Significant Accounting Policies**

The 35th District Courthouse Authority ("DCA") was established in 1989 upon approval of an Interlocal Agreement by and among the DCA member District Control Units pursuant to the provisions of the Urban Cooperations Act, Act No. 7 of the Michigan Public Acts of 1967, as amended. The member District Control Units include the Cities of Northville and Plymouth and the Charter Townships of Canton, Plymouth, and Northville. One purpose of the DCA is to establish a joint entity to lease, acquire, own, operate, and dispose of the Courthouse Building occupied by the State of Michigan 35th Judicial District Court (the "Court") for the mutual use and benefit of the District Control Units, who are also members of the Court. The DCA is comprised of a five-member board of directors consisting of one representative from each member city or township.

The accounting policies of the DCA conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. One of the significant changes in the statement includes the financial statements being prepared using full-accrual accounting for the DCA as a whole. This and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

### **Reporting Entity**

The 35th Judicial District Building Authority (the "Building Authority") was established on December 7, 1998 and is governed by a five-member board consisting of one representative from each member city or township. Although legally separate from the 35th District Courthouse Authority, the Building Authority is included as a Capital Projects Fund because its primary purpose is to finance and construct the Courthouse Building. Building Authority operations consist of the issuance and repayment of debt and the construction of facilities, all of which are recorded in the appropriate Courthouse Authority funds. The financial statements of the Building Authority are blended into the financial statements of the Courthouse Authority as follows:



# 35th District Courthouse Authority

## Notes to Financial Statements December 31, 2004

### Note 1 - Summary of Significant Accounting Policies (Continued)

- a. The assets of the Building Authority held for payment and administration of outstanding bond issues and other related debt are reported in a Debt Service Fund.
- b. The assets and liabilities of the Building Authority related to construction projects are reported in the Capital Projects Fund.

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The DCA's basic financial statements include both the DCA's full accrual financial statements and modified accrual financial statements.

#### Full Accrual Financial Statements

The full accrual financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which is described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the full accrual financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The DCA has elected not to follow public sector standards issued after November 30, 1989 for its full accrual activities.

#### Modified Accrual Financial Statements

The DCA's modified accrual financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting, which is described below.

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay finance expenditures of the fiscal period. For this purpose, the DCA considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

# 35th District Courthouse Authority

## Notes to Financial Statements December 31, 2004

### Note 1 - Summary of Significant Accounting Policies (Continued)

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the DCA.

The accounts of the DCA are organized on the basis of funds, each of which is considered a separate accounting entity.

#### Governmental Funds

**General Fund** - The General Fund contains the records of the ordinary activities of the DCA. These activities are supported by rental and other revenue received from the State of Michigan 35th District Court.

**Capital Projects Fund** - The Capital Projects Fund is used to account for the development of the Courthouse Building.

**Debt Service Fund** - The Debt Service Fund is used to account for payments of the principal, interest, and expenses in conjunction with the bond issued for construction of the Courthouse Building.

#### Financial Statement Amounts

**Cash and Cash Equivalents** - Cash and cash equivalents include cash on hand and demand deposits, with a maturity of three months or less when acquired.

**Capital Assets** - All assets with an estimated useful life in excess of two years are capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture and equipment	7 years
Computer equipment	3-5 years
Vehicles	5 years
Building improvements	25 years
Buildings	50 years

# **35th District Courthouse Authority**

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## **Notes to Financial Statements December 31, 2004**

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Long-term Obligations** - In the government-wide financial statements, long-term debt and capital leases are reported as liabilities in the governmental activities statement of net assets.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### **Note 2 - Reconciliation of the Court as a Whole and the Individual Fund Financial Statements**

The governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance of the Court's General Fund differ from the statement of net assets and the statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and the statement of activities versus the current focus of the General Fund balance sheet and statement of revenue, expenditures, and change in fund balance.

The statement of net assets includes the capital assets, capital leases payable, accrued interest expense, and bonded debt associated with the construction of the Courthouse. The statement of activities includes the reduction of capital outlay for assets capitalized, depreciation expense related to those assets, reduction of debt service expense for principal payments made on the debt, and recognition of accrued interest expense.

### **Note 3 - Deposits**

Michigan Compiled Laws, Section 129.91, authorized local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The DCA is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

# 35th District Courthouse Authority

## Notes to Financial Statements December 31, 2004

### Note 3 - Deposits (Continued)

The DCA's deposits were reflected in the accounts of the bank at \$3,148. The entire amount was covered by federal depository insurance.

### Note 4 - Budget Information

The annual budget is prepared by the Court administrator and adopted by the DCA and Building Authority Boards; subsequent amendments are approved by the DCA and Building Authority Boards. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2004 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that proceeds from the issuance of debt have been netted against the capital outlay expenditures, rather than as an other financing source.

The budget statement (statement of revenue, expenditures, and changes in fund balance - budget and actual - General Fund) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on an object (line-item) basis. A comparison of actual results of operations to the General Fund budget as adopted by the DCA and Building Authority are included in the required supplemental information at the line-item level. This comparison includes expenditure budget overruns.

### Note 5 - Capital Assets

A summary of changes in general fixed assets is as follows:

	Balance		Disposals and	Balance
<b>Governmental Activities</b>	January 1, 2004	Additions	Adjustments	December 31, 2004
Capital assets being depreciated:				
Furniture and equipment	\$ 497,805	\$ 2,073	\$ -	\$ 499,878
Computer equipment	227,396	86,860	6,609	307,646
Vehicles	42,448	-	-	42,448
Building improvements	33,880	18,375	-	52,255
Buildings	7,704,968	-	-	7,704,968
Subtotal	8,506,496	107,308	6,609	8,607,195
Accumulated depreciation	(1,629,934)	(310,447)	(6,609)	(1,933,772)
Net capital assets	<u>\$ 6,876,562</u>	<u>\$ (203,139)</u>	<u>\$ -</u>	<u>\$ 6,673,423</u>

# 35th District Courthouse Authority

## Notes to Financial Statements December 31, 2004

### Note 6 - Long-term Debt

During the year ended December 31, 1999, the 35th Judicial District Building Authority issued general obligation bonds in the amount of \$4,250,000 to assist in funding the construction of the new courthouse. Repayment of this bond is funded by the 35th Judicial District Court, which leases this building.

The DCA has also entered into three capital leases. One represents the capital lease on the former courthouse destroyed by fire during 1997. The other two represent computer equipment leases. Payment of these leases is also funded by the 35th Judicial District Court.

The following is a schedule of long-term debt outstanding as of December 31, 2004:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
Capital lease payable - To the City of Plymouth for the former courthouse	2.00%-2.50%	2006	\$ 341,700	\$ -	\$ 104,738	\$ 236,962	\$ 113,685
Capital lease payable - Server	0.62%	2007	-	30,831	8,496	22,335	10,271
Capital lease payable - Software	13.71%	2007	-	21,246	5,774	15,472	6,880
Bonds payable - 1999 General Obligation Bonds, original issue of \$4,250,000	4.00%-5.00%	2018	3,850,000	-	150,000	3,700,000	150,000
Total governmental activities			<u>\$ 4,191,700</u>	<u>\$ 52,077</u>	<u>\$ 269,008</u>	<u>\$ 3,974,769</u>	<u>\$ 280,836</u>

The annual requirements to service all debt outstanding as of December 31, 2004, including both principal and interest, are as follows:

	Governmental-type Activities		
	Principal	Interest	Total
2005	\$ 280,836	\$ 187,223	\$ 468,059
2006	341,497	169,546	511,043
2007	202,436	153,684	356,120
2008	200,000	145,175	345,175
2009	200,000	136,475	336,475
2010-2014	1,400,000	508,312	1,908,312
2015-2019	1,350,000	142,999	1,492,999
Total	<u>\$ 3,974,769</u>	<u>\$ 1,443,414</u>	<u>\$ 5,418,183</u>

# **35th District Courthouse Authority**

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## **Notes to Financial Statements December 31, 2004**

### **Note 7 - Risk Management**

The DCA is exposed to various risks of loss pertaining to property loss and torts. The DCA has purchased commercial insurance for these claims. Settled claims related to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

### **Note 8 - Rental Revenue**

The DCA leased the former courthouse building, destroyed by fire during 1997, and furnishings to the State of Michigan 35th Judicial District Court under an operating lease. Rental revenue amounted to \$126,330 for the year ended December 31, 2004.

The Building Authority leased the new courthouse building to the State of Michigan 35th Judicial District Court under an operating lease. The total rental revenue, including utilities, maintenance, and insurance, amounted to \$574,608 for the year ended December 31, 2004.

In addition, during the year ended December 31, 2004, the DCA received \$81,484 from the Court representing funding for various current and future capital outlay expenditures. This amount was recorded by the DCA as additional rental revenue.

## **Required Supplemental Information**

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# 35th District Courthouse Authority

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2004

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variances with Amended Budget
<b>Revenue</b>				
Base rental revenue	\$ 342,257	\$ 353,657	\$ 373,969	\$ 20,312
Additional rental revenue	90,000	96,200	81,484	(14,716)
Total revenue	432,257	449,857	455,453	5,596
<b>Expenditures</b>				
Utilities	92,000	96,000	106,138	(10,138)
Building maintenance	90,100	97,500	104,450	(6,950)
Insurance	34,000	34,000	37,051	(3,051)
Capital outlay	85,000	91,200	62,214	28,986
Debt service	126,157	126,157	140,600	(14,443)
Total expenditures	427,257	444,857	450,453	(5,596)
<b>Excess of Revenue Over Expenditures</b>	5,000	5,000	5,000	-
<b>Fund Balance - Beginning of year</b>	146,254	146,254	146,254	-
<b>Fund Balance - End of year</b>	<u>\$ 151,254</u>	<u>\$ 151,254</u>	<u>\$ 151,254</u>	<u>\$ -</u>



April 22, 2005

Honorable John E. MacDonald  
Honorable Ronald W. Lowe  
Honorable Michael J. Gerou  
35<sup>th</sup> Judicial District Court  
660 Plymouth Road  
Plymouth, MI 48170

Dear Judges:

We have recently completed our audit of the financial statements of the 35<sup>th</sup> Judicial District Court for the year ended December 31, 2004. In connection with our audit, we offer the following comments and recommendations to assist you in your financial management of the Court.

#### REPORTABLE CONDITION

In planning and performing our audit of the financial statements of 35<sup>TH</sup> Judicial District Court and the 35<sup>th</sup> District Courthouse Authority for the year ended December 31, 2004, we considered the internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the municipality's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The matters noted are only those that came to our attention and had our procedures in internal control related matters been more extensive, other matters may have been noted.

- Currently, a number of employees have access to signature stamps with the Judge's signatures in their possession. With the access to the signature stamps, it is possible to write a check and use the signature stamps instead of obtaining proper signatures from the individuals. We recommend the Court implement a policy on its signature stamps, including having them locked up with limited access by individuals.
- During the current year, the Court was without a Court Administrator for the latter part of the year. The controller also assumed the role of the interim Court Administrator position until a permanent Court Administrator was hired. This led to a compromise of certain segregation of duties, including the approval of vacation time and the review of bank reconciliations by a third party. In times of interim positions, the Judges should select an overseeing body to maintain a strong system of internal control.

- Currently, the controller submits the payroll, issues the checks prepared by the payroll processor, and records the activity in the general ledger. During the latter part of the fiscal year, there was no oversight by another individual regarding payroll. We recommend that the Court Administrator, or another assigned individual, review the payroll registers to improve controls in this area.

## **PAYROLL FILE MAINTENANCE**

- We noted the Court obtains direct deposit authorization forms for the individuals selected who utilize the system. However, these forms were not included within the personnel file and took some time to locate. We recommend all payroll related forms be maintained in a central location, preferably in the employees personnel file, to avoid any confusion or potential misplacement of the records.
- While testing procedures related to sick and vacation time being utilized by employees, it was noted that one employee did not have an authorization slip completed for the vacation time taken. The individual is a court officer, and as such, is an employee of the judges who approves their vacation time although authorization forms are not always completed. We recommend that all employees complete the vacation authorization forms with the appropriate supervisor's signature to maintain consistency throughout the Court.

## **BUDGET AMENDMENTS**

We are pleased to see that the Court again amended the budget during the current year. However, there were a few variances between amounts budgeted and final actual expenditures. As the budget process is an estimation of the Court's revenues and expenditures, actual results vary based on the events that occur during the year. We recommend the Court continue to monitor expenditures closely and continue to amend these budgets to maintain compliance with State budget regulations.

## **OTHER ACCOUNTING ISSUES**

- As mentioned in previous years, during the construction of the Courthouse, a capital projects fund was created to account for the development of the building. Now that the construction is complete, we recommend that this fund be closed and cash remaining within the fund be transferred in a manner that the board deems appropriate.
- A number of checks written in January 2005 relating to December 2004 activity were actually dated in December 2004. These expenditures were recorded in the appropriate fiscal year. The Court should ensure all checks are dated the day they are issued and not post dated.
- Currently, there is an unreconciled difference between the detailed bond payable listing and the amount recorded on the general ledger. The Court should be reconciling to the bond payable listing on a monthly basis and adjusting the general ledger when necessary.

April 22, 2005

- Currently there is an unreconciled difference between the balance per the bank statement and balance recorded on the general ledger as of December 31, 2004. We recommend the Court look into what the difference represents and make the appropriate adjustments to the general ledger.

## COMPUTER SECURITY REVIEW

As organizations have become more reliant on computer technology to deliver core business processes, it is increasingly apparent that attention needs to be given to the security of our computer systems. While the private sector has been forced to devote significant resources to this area for a couple of years now, organizations in the public sector are beginning to see the need for similar attention. Items for consideration include the ability of employees to access or manipulate data or programs inappropriately, firewalls for Internet access points, and physical security/disaster recovery plans.

An organization's data assets are such that their loss or impaired usage can have devastating consequences. As a result, we strongly recommend that you assess your information systems and network environments and develop strategies to ensure that risks associated with down time, hacker intrusions and virus attacks are minimized in a secured environment. We believe it is prudent to assess your risk and implement security improvements to avoid the negative implications.

We would like to thank you and your staff, particularly Debra Kubitskey and Pam Avdoulos, for the courtesy and cooperation extended to us during the course of our audit. If you have any further questions regarding the above comments or would like assistance in their implementation, please feel free to contact us.

This report is intended solely for the information and use of the judges, board of directors, management, others within the organization and the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

PLANTE & MORAN, LLP



David H. Helisek



Wendy N. Trumbull

DHH/WNT:bb